



Washington State Transportation Commission

Long Term Ferry Funding Study Status Update

presented to the

Joint Transportation Committee

presented by

Cambridge Systematics, Inc.

September 10, 2008



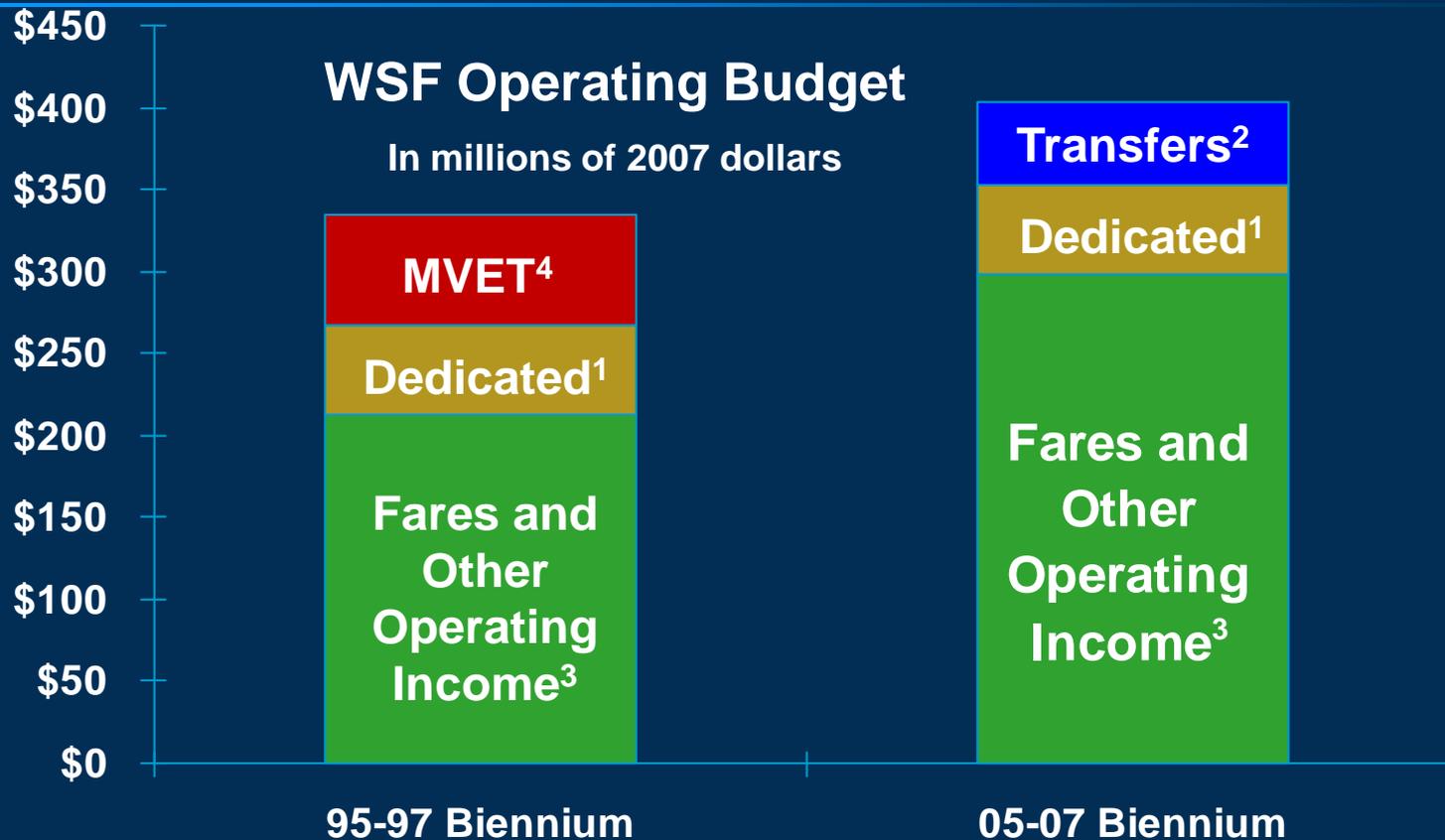
Major Study Products



September

**Currently in between
preliminary report and
draft funding plan**

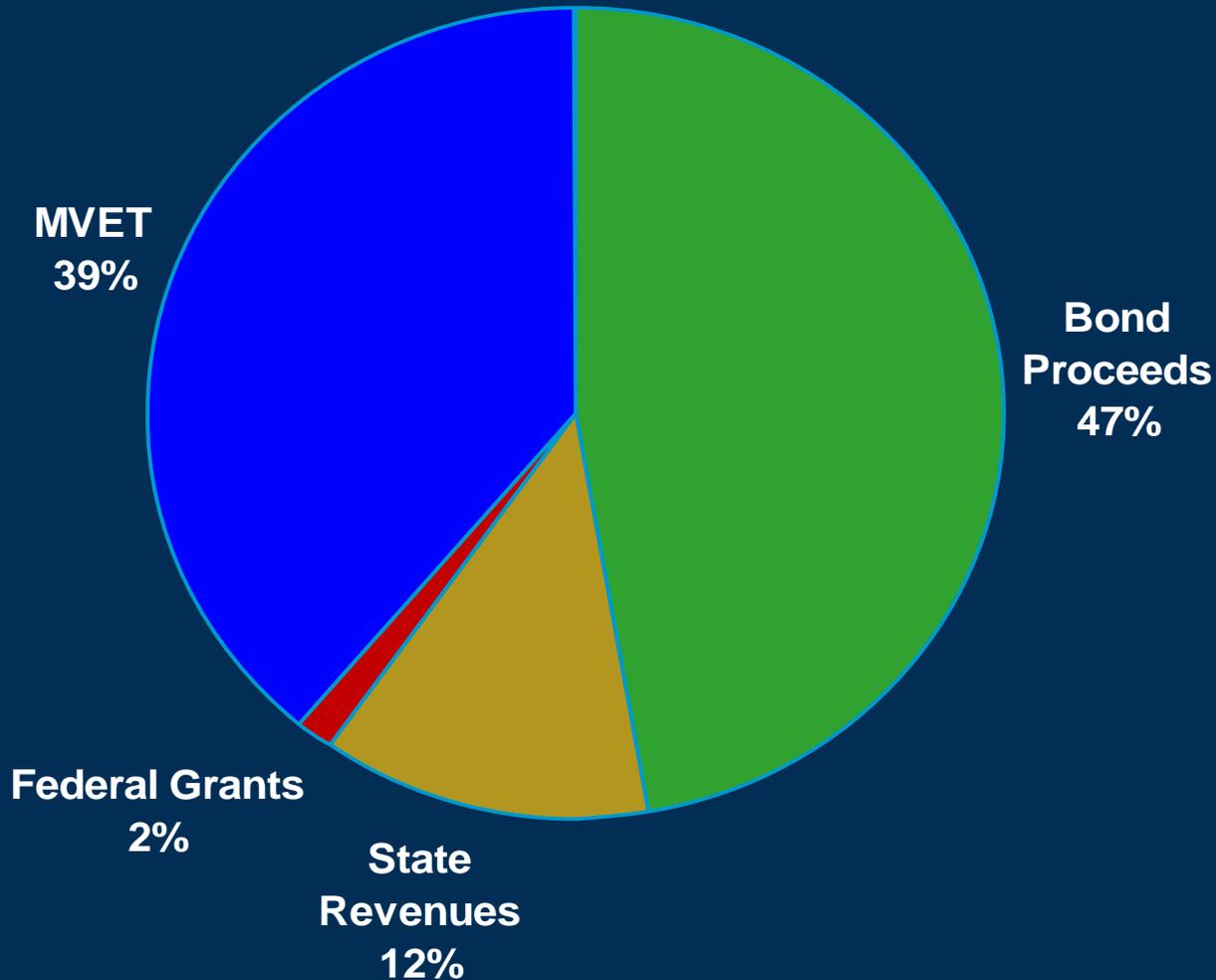
Impact of Loss of MVET on Operating Budget



1. Dedicated revenues include a portion of the motor fuel tax and revenues from licenses, permits, and fees.
2. *Ad hoc* transfers from Motor Vehicle and Multimodal accounts. These vary year to year and are not guaranteed or dedicated for ferry use.
3. Predominantly fare revenue but also includes income from terminal and on-board concessions, parking, advertising, etc.
4. MVET – Motor Vehicle Excise Tax

MVET Impact on Capital Budget

Capital Budget, 95 to 97 Biennium



Screening and Analysis of Future Funding Sources

- “Long list” of funding sources evaluated for
 - Yield
 - Reliability
 - Administrative Effectiveness
 - Political Acceptability
 - Equity
 - Economic Efficiency
- Identified short list of sources to retain for further analysis

	Yield	Reliability	Admin. Effectiveness	Challenges/Issues
State Sources				
Vehicle Excise Tax	●●●	●●●	●●	The state MVET was rescinded in the past due to voter opposition.
Fuel Tax Increase	●●●	●●●	●●●	Fuel prices are at historical highs; adding to the price may generate opposition.
Sales Tax Surcharge or Increment	●●●	●	●●	State sales tax revenues are typically dedicated to the state general fund.
Tolls	●●	●●	●	By law, toll revenues may not currently be used outside the tolled facility.
Licenses, Permits, and Fees	●●	●●●	●●●	Some licenses, permits, and fees have been increased in the recent past.
Rental Car Tax Surcharge	●	●●	●●●	This source is weakly linked to the ferry system; direct impact is greatest on out-of-state visitors.
Local Sources				
Sales Tax	●●●	●	●●	Local transit operators depend on local sales tax revenues.
Property Tax	●●●	●●●	●●	Local school systems depend on property tax revenues.
Vehicle Licenses	●●●	●●●	●●	Local option license fees have been repealed in the past due to voter referendums.
Motor Vehicle Excise Tax	●●●	●●●	●●	Some local transit operators also depend on this tax.
Fuel Tax	●●●	●●●	●●	Fuel prices are at historical highs; adding to the price may generate opposition.
Employer Tax	●●●	●●	●●	This tax is currently intended for use by local transit agencies.
Real Estate Excise Tax	●●●	●	●●	This source has not traditionally been used for transportation purposes.
Utility Excise Tax	●●	●●●	●●	This tax is currently intended for use by local transit agencies.
Development Impact Fees	●●	●	●●	This source may be too unreliable to provide a steady source of funds for the ferry system.
Commercial parking tax	●	●●	●●	Revenues from this source will be minimal unless applied to all commercial parking lots.
Ferry System				
Ferry Fares	●●	●●●	●●●	Ferry fares have been increased substantially in the recent past.
Ancillary Revenues	●	●	●	Revenues from this source are minimal unless major changes are made to the institutional structure of WSF.
New Service Offerings	●	●	●	A reservation system and preferred loading lanes are currently under study by WSF; preliminary survey results indicate customer opposition to the preferred loading lanes concept.

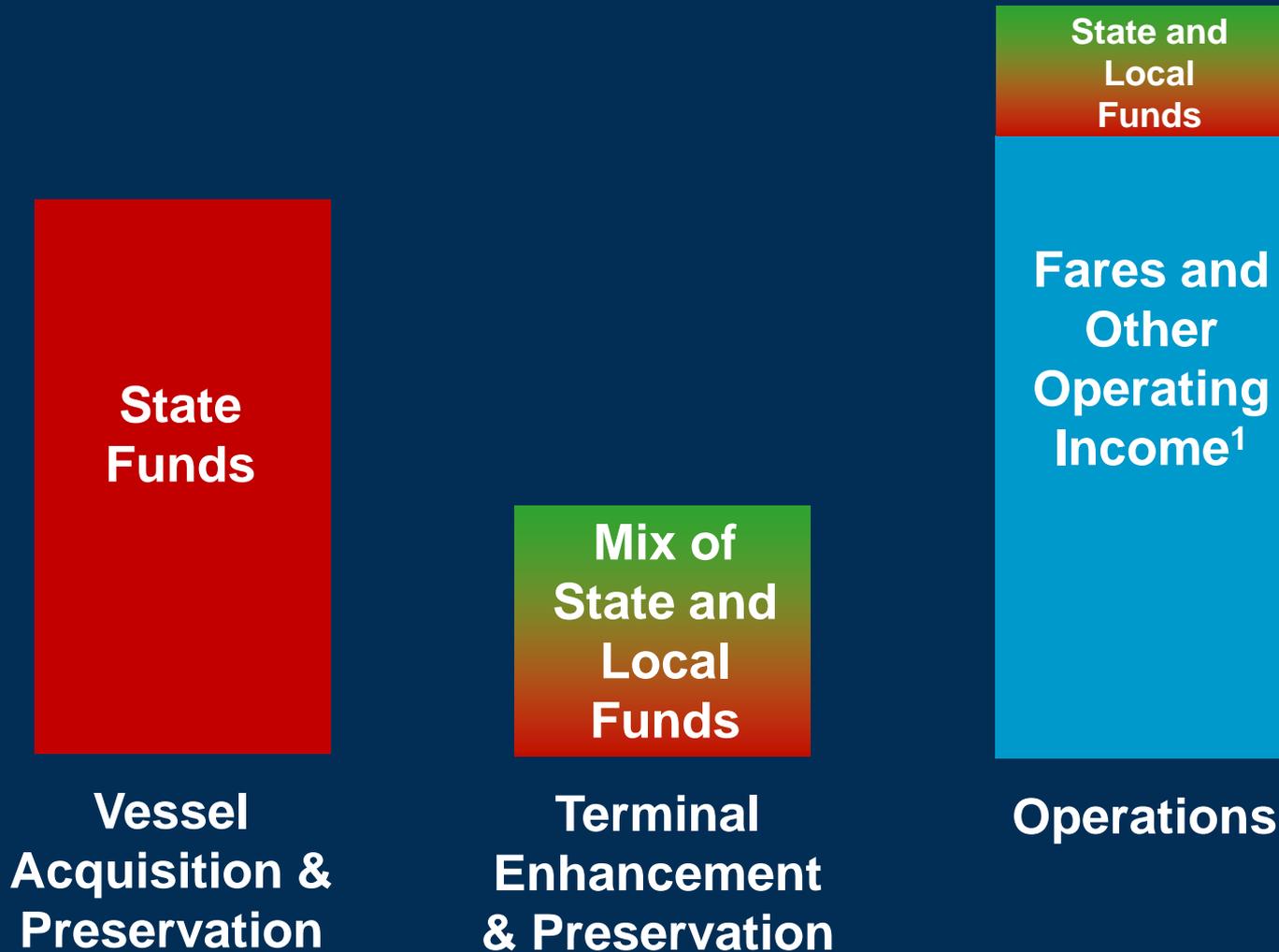
“Long List” of Funding Sources from July 2008 Screening Report

Proposed Three-Legged Funding Structure



Likely Uses of Funds

Source of Funds and Relative Need



Operating and Capital Needs Estimates

Factors Adding to Uncertainty on Both Cost and Revenue Side

Capital

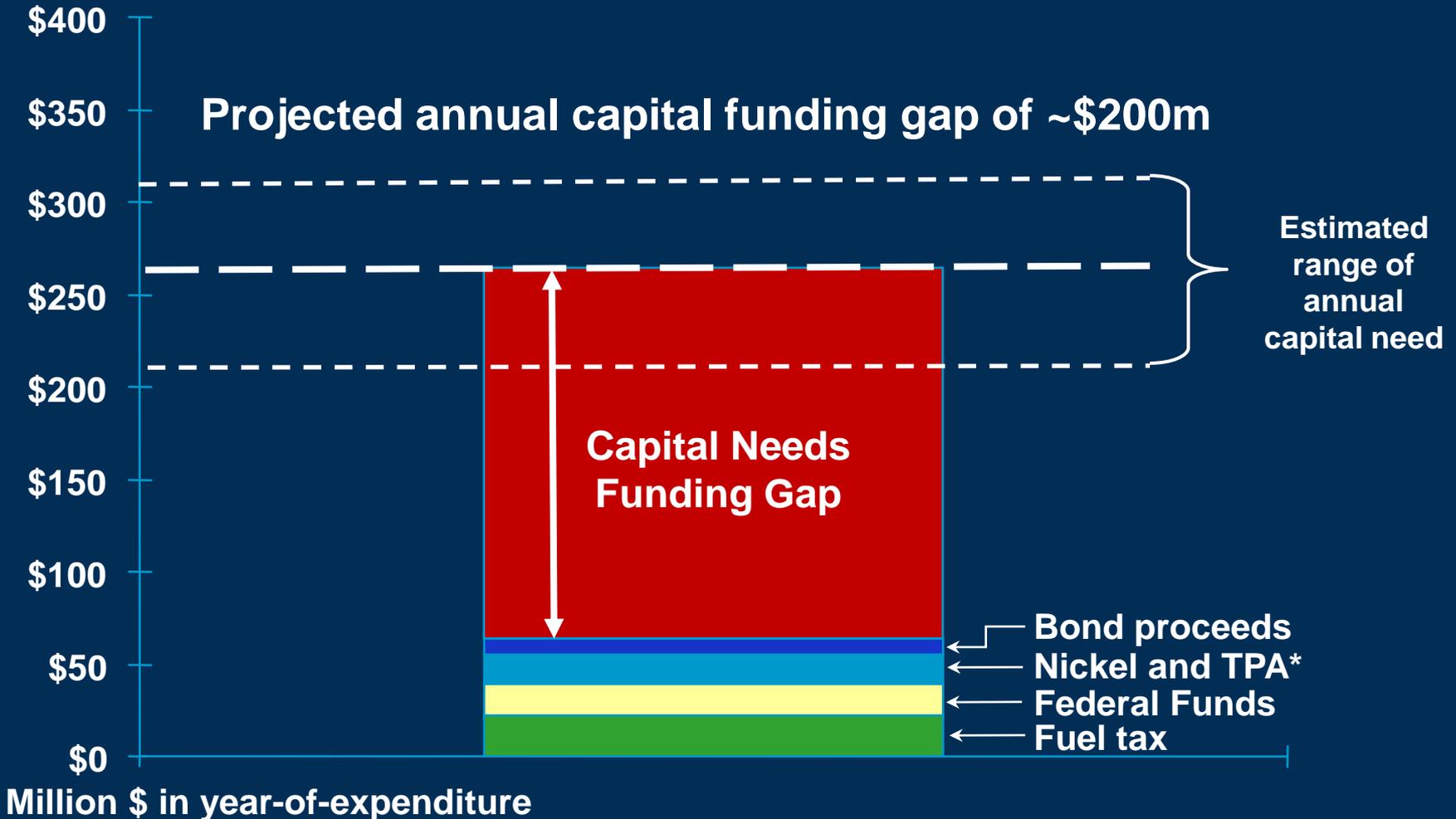
- Timing of deferred preservation catch-up
- Number and timing of vessel acquisitions
- Construction cost escalation
- Cost of capital
- Terminal enhancements beyond “replacement in kind”

Operating

- Fuel cost
- Labor cost
- Ridership
- Fare Increases
- Fare elasticity

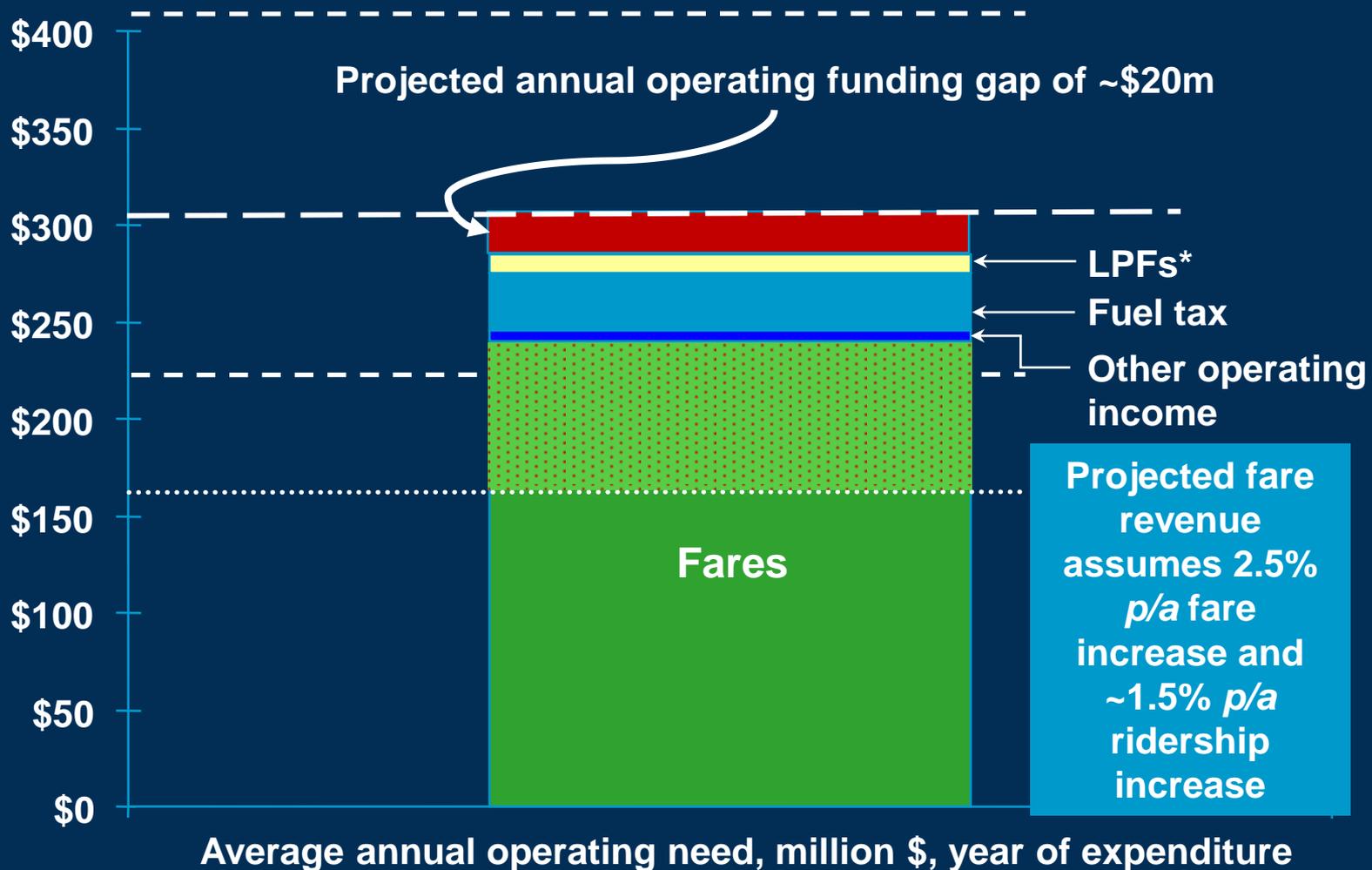
Estimated Future Capital Need

Projected Annual Capital Funding Gap



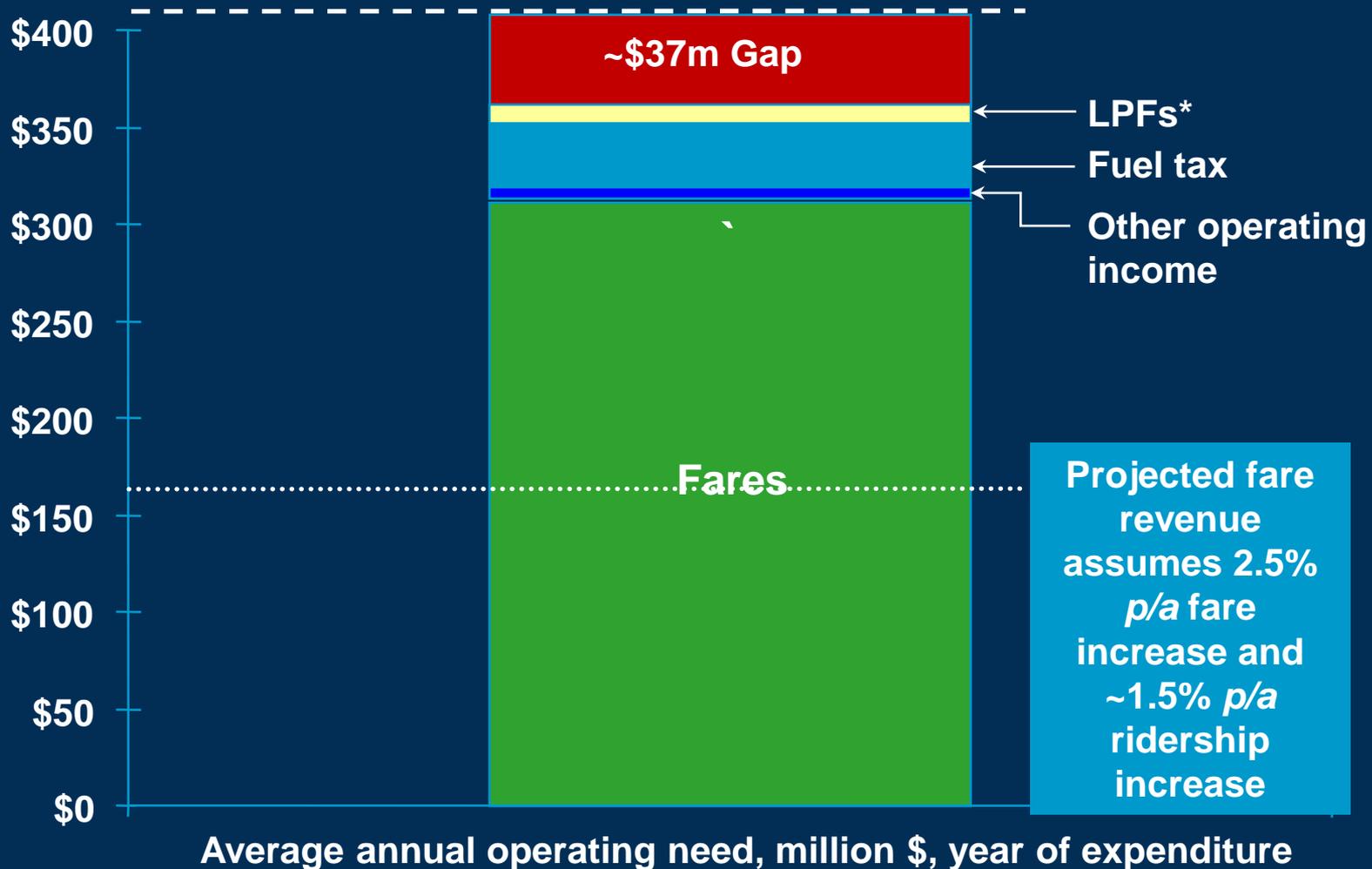
Operating Funding Need

Projected Average Annual Operating Funding Gap



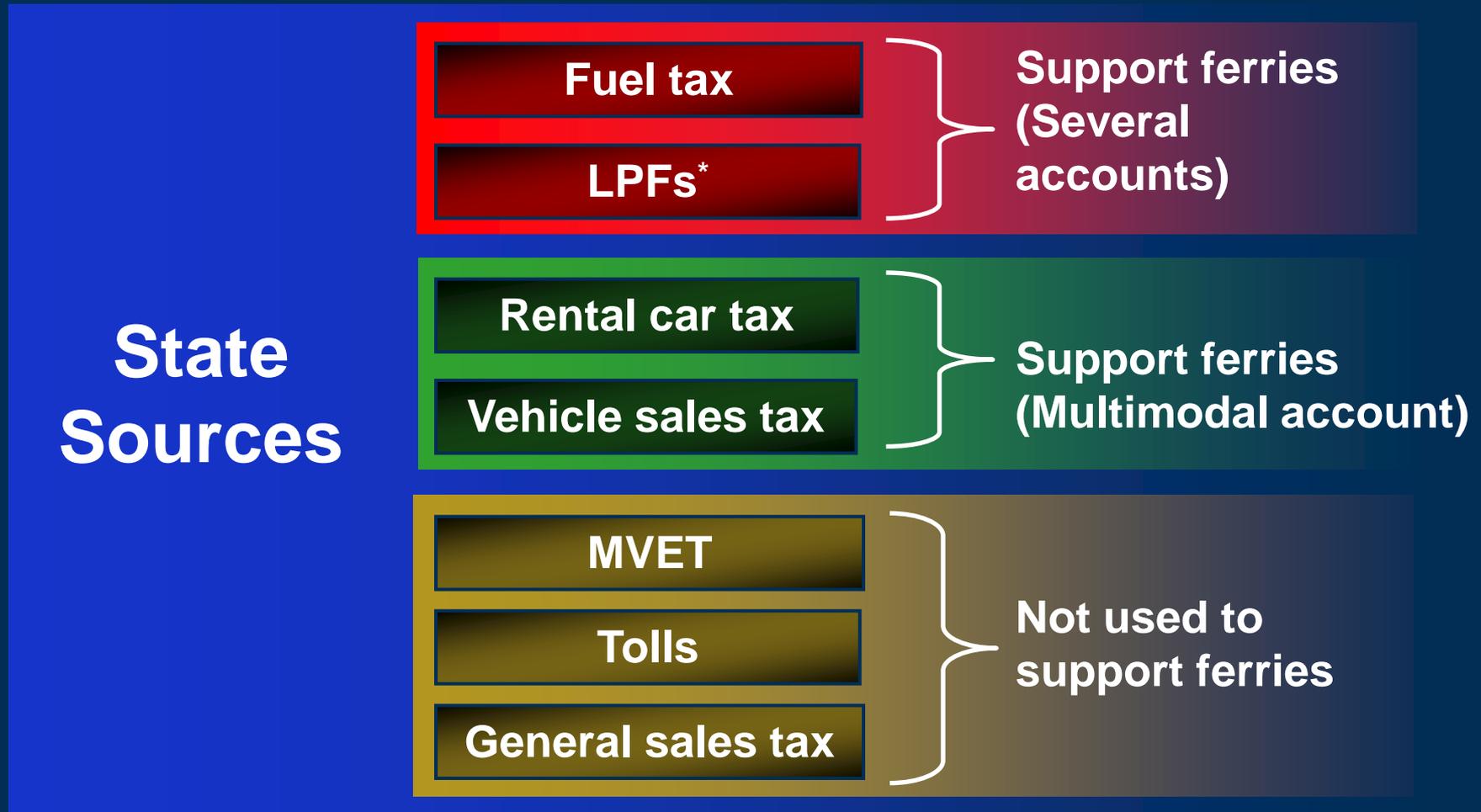
Operating Funding Need

Projected Out-Year (FY2031) Operating Funding Gap



*Vehicle licenses, permits, and fees

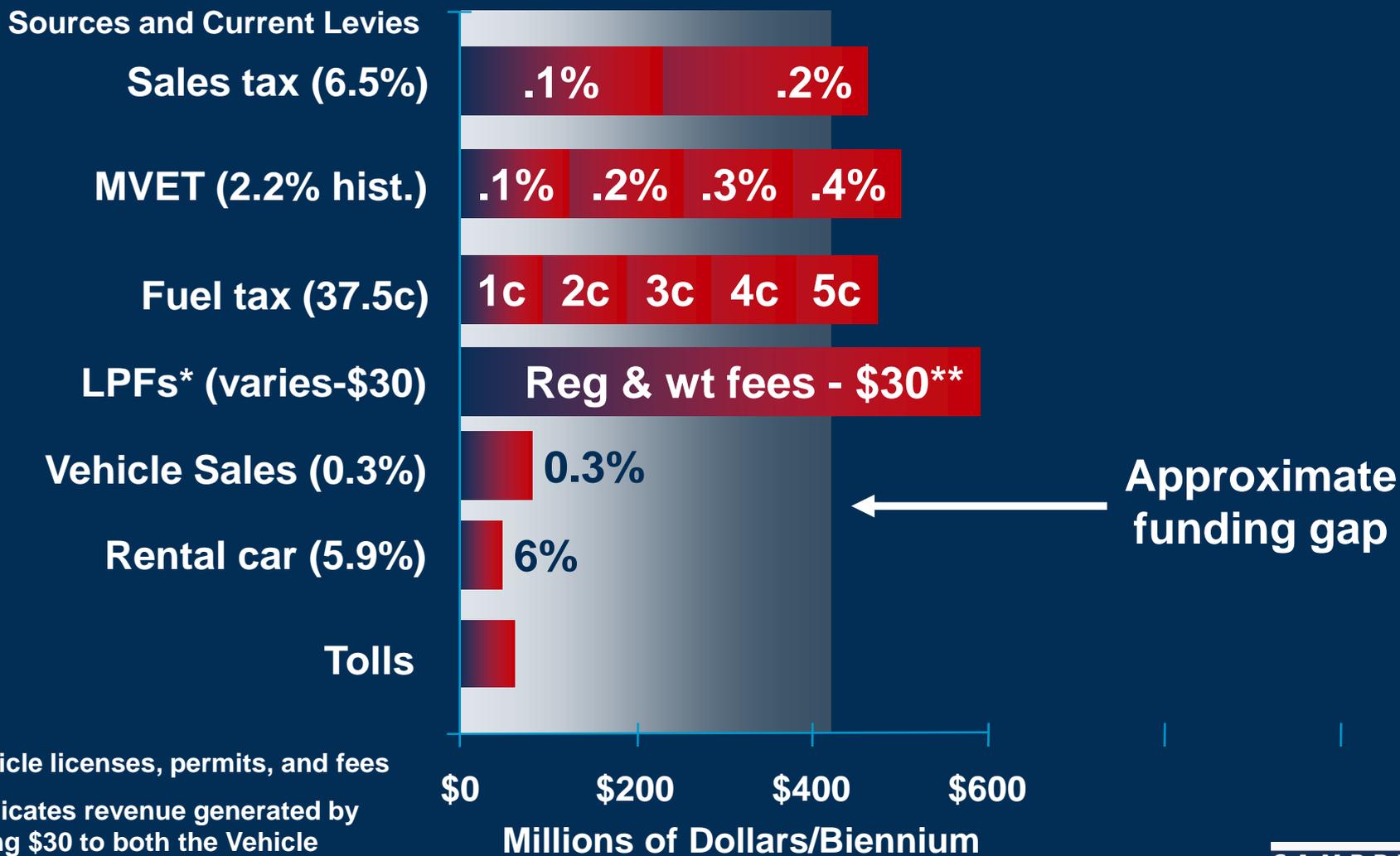
State Sources of Funds Considered



*Vehicle licenses, permits, and fees

Potential Yield of State Funding Sources

Yield of Incremental Tax/Fee Relative to Funding Gap



* Vehicle licenses, permits, and fees

** Indicates revenue generated by adding \$30 to both the Vehicle Registration and Weight Fees

Figures are approximate

Local Sources of Funds Considered

Local Sources

Fuel tax

Parking tax

Any County can use – general purposes

Impact fees

License fees

MVET

Property tax

Sales tax

Employer tax

Utility tax

Real estate tax

Explicitly authorized for specific purposes

Transportation Benefit Districts are an Existing Mechanism

- Few restrictions on geography or use of funds
- District has bonding authority
- Voter approval required
- Sunsets after improvement is complete and debt is paid

By current law, TBDs may be funded by:

- Sales and use tax
- License fee
- Property tax
- Tolls
- Other limited sources

Closing the Operating Funding Gap

- **Fares not likely to fully close the funding gap**
- **Instead, strive for a more predictable fare revenue stream**
 - e.g. index fares to inflation, fuel cost recovery surcharge
- **Pursue incremental operating revenues to reduce subsidy**
 - Advertising, food and beverage sales, naming rights
 - Reservation system
- **Identify appropriate state and local sources of funding to close remaining operating gap**

Next Steps in Funding Study

- **Define which state level sources are most attractive for addressing the large capital funding gap**
- **Define appropriate role for local funding:**
 - **Use of funds**
 - **Amount of contribution**
 - **Mechanism for raising funds**
- **Determine how operating gap should be closed**
 - **Mix of state, local and operating revenues**
- **Determine appropriate rate of regular, periodic fare increases for financial planning purposes**